

# OPEN MEETING ITEM

**COMMISSIONERS**  
SUSAN BITTER SMITH - Chairman  
BOB STUMP  
BOB BURNS  
DOUG LITTLE  
TOM FORESE



0000162505

## ARIZONA CORPORATION COMMISSION

ORIGINAL

DATE: JULY 27, 2015

DOCKET NOS.: W-01689A-11-0401 and WS-01689A-11-0402

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Belinda Martin. The recommendation has been filed in the form of an Order on:

CLEAR SPRINGS UTILITY COMPANY, INC.  
(ORDER CORRECTING DECISION NO. 74037 *NUNC PRO TUNC*)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

AUGUST 5, 2015

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

AUGUST 18, 2015 AND AUGUST 19, 2015

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

JUL 27 2015

DOCKETED BY

A handwritten signature in black ink, appearing to read "Jodi Jerich", written over a rectangular stamp area.

A large, stylized handwritten signature in black ink, appearing to read "Jodi Jerich", written over the printed name and title.

JODI JERICH  
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET, PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET, TUCSON, ARIZONA 85701-1347

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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail [SABernal@azcc.gov](mailto:SABernal@azcc.gov).

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 SUSAN BITTER SMITH – Chairman  
4 BOB STUMP  
5 BOB BURNS  
6 TOM FORESE  
7 DOUG LITTLE

8 IN THE MATTER OF THE APPLICATION OF  
9 CLEAR SPRINGS UTILITY COMPANY, INC.  
10 WATER DIVISION, FOR AUTHORITY TO  
11 INCUR LONG-TERM DEBT.

DOCKET NO. W-01689A-11-0401

12 IN THE MATTER OF THE APPLICATION OF  
13 CLEAR SPRINGS UTILITY COMPANY, INC.  
14 WATER AND WASTEWATER DIVISIONS, FOR  
15 PERMANENT RATE INCREASES.

DOCKET NO. WS-01689A-11-0402

**ORDER CORRECTING DECISION**  
**NO. 74037 NUNC PRO TUNC**

16 Open Meeting  
17 August 18 and 19, 2015  
18 Phoenix, Arizona

19 **BY THE COMMISSION:**

20 Having considered the entire record herein and being fully advised in the premises, the  
21 Arizona Corporation Commission (“Commission”) finds, concludes, and orders that:

22 **FINDINGS OF FACT**

23 1. On August 16, 2013, the Commission issued Decision No. 74037, approving rate  
24 increases for Clear Springs Utility Company, Inc.’s (“Clear Springs”) Water Division and  
25 Wastewater Divisions. The Decision also authorized Clear Springs to obtain a loan from the Arizona  
26 Water Infrastructure Finance Authority in the amount of \$426,249 for improvements to Clear  
27 Springs’ water system.

28 2. When the Decision was docketed, Exhibit A – Depreciation Table for the Wastewater  
Division, Exhibit B – Depreciation Table for Water Division, Exhibit C – Project List, and Exhibit D  
– Revised Water Test Costs for Clear Springs Non-Community Systems, were inadvertently omitted  
from the filing.

3. Decision No. 74037 should be corrected to incorporate the four Exhibits into the  
Decision.

**CONCLUSIONS OF LAW**

1. Clear Springs Utility Company, Inc. is a public service corporation within the meaning of Article XV of the Arizona Constitution.

2. The Commission has jurisdiction over Clear Springs Utility Company, Inc. and over the subject matter of the applications.

3. Decision No. 74037 should be corrected, *nunc pro tunc*, as discussed herein.

**ORDER**

IT IS THEREFORE ORDERED that Decision No. 74037 is hereby corrected *Nunc Pro Tunc* to incorporate the following Exhibits:

- Exhibit A – Depreciation Table for the Wastewater Division
- Exhibit B – Depreciation Table for Water Division
- Exhibit C – Project List
- Exhibit D – Revised Water Test Costs for Non-Community Systems

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_  
BM:ru

1 SERVICE LIST FOR: CLEAR SPRINGS UTILITY COMPANY, INC.

2 DOCKET NOS.: W-01689A-11-0401 and WS-01689A-11-0402

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4 MOYES, SELLERS & HENDRICKS, LTD.  
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10 Janice Alward, Chief Counsel  
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12 ARIZONA CORPORATION COMMISSION  
13 1200 West Washington Street  
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16 Utilities Division  
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**EXHIBIT A****Figure 6 Depreciation Rates for Clear Springs - Wastewater Division**

NARUC Acct #	Depreciable Plant	Decision #62583	Co. Proposed Rate (%)	Staff Recommended Rate (%)
351	Organization	0.00		0
352	Franchises	0.00		0
353	Land & Land Rights	0.00		0
354	Structure & Improvements	5.00	N/A	3.33
355	Power Generation Equipment	5.00	N/A	5.00
360	Collection Sewers - Force	5.00	N/A	2.00
361	Collection Sewers - Gravity	5.00	N/A	2.00
362	Special Collection Structures	5.00	N/A	2.00
363	Service to Connections	5.00	N/A	2.00
364	Flow Measuring Devices	5.00	N/A	10.00
365	Flow Measuring Installations	5.00	N/A	10.00
366	Reuse Services	5.00	N/A	2.00
367	Reuse Meters & Meter Installations	5.00	N/A	8.33
370	Receiving Wells	5.00	N/A	3.33
371	Pump Equipment	5.00	N/A	12.50
374	Reuse Distribution Reservoirs	5.00	N/A	2.50
375	Reuse Transmission and Distribution System	5.00	N/A	2.00
380	Treatment & Disposal Equipment	5.00	N/A	5.00
381	Plant Sewers	5.00	N/A	5.00
382	Outfall Sewer Lines	5.00	N/A	3.33
389	Other Plant & Misc Equipments	5.00	N/A	6.67
390	Office Furniture & Equipments	5.00	N/A	6.67
390.1	Computer & Software	5.00	N/A	20.00
391	Transportation Equipments	5.00	N/A	20.00
392	Store Equipment	5.00	N/A	4.00
393	Tools, Shop, Garage Equipments	5.00	N/A	5.00
394	Lab Equipments	5.00	N/A	10.00
395	Power Operated Equipment	5.00	N/A	5.00
396	Communication Equipment	5.00	N/A	10.00
397	Miscellaneous Equipment	5.00	N/A	10.00
398	Other plants	---	N/A	10.00

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**EXHIBIT B**

**Exhibit 6**

**Depreciation Rates (Clear Springs – Water Division)**

Acct. No.	Depreciable Plant	Approved Rate (%) (Decision # 68443)	Proposed Rate (%)	Staff Recommended Rate (%)
304	Structures & Improvements	3.33	n/a	3.33
305	Collecting & Impounding Reservoirs	2.50	n/a	2.50
306	Lake, River, Canal Intakes	2.50	n/a	2.50
307	Wells & Springs	3.33	n/a	3.33
308	Infiltration Galleries	6.67	n/a	6.67
309	Raw Water Supply Mains	2.00	n/a	2.00
310	Power Generation Equipment	5.00	n/a	5.00
311	Pumping Equipment	12.5	n/a	12.5
320	Water Treatment Equipment			
320.1	Water Treatment Plants	3.33	n/a	3.33
320.2	Solution Chemical Feeders	20.0	n/a	20.0
330	Distribution Reservoirs & Standpipes			
330.1	Storage Tanks	2.22	n/a	2.22
330.2	Pressure Tanks	5.00	n/a	5.00
331	Transmission & Distribution Mains	2.00	n/a	2.00
333	Services	3.33	n/a	3.33
334	Meters	8.33	n/a	8.33
335	Hydrants	2.00	n/a	2.00
336	Backflow Prevention Devices	6.67	n/a	6.67
339	Other Plant & Misc Equipment	6.67	n/a	6.67
340	Office Furniture & Equipment	6.67	n/a	6.67
340.1	Computers & Software	20.00	n/a	20.00
341	Transportation Equipment	20.00	n/a	20.00
342	Stores Equipment	4.00	n/a	4.00
343	Tools, Shop & Garage Equipment	5.00	n/a	5.00
344	Laboratory Equipment	10.00	n/a	10.00
345	Power Operated Equipment	5.00	n/a	5.00
346	Communication Equipment	10.00	n/a	10.00
347	Miscellaneous Equipment	10.00	n/a	10.00
348	Other Tangible Plant	----	----	----

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**EXHIBIT C**

**K. FINANCING APPLICATION (DOCKET NO. W-01689A-11-0401)**

On November 3, 2011, the Company filed a financing application requesting Commission authorization to borrow \$510,993.70 from Arizona Department of Water Infrastructure Finance Authority to upgrade plant items at Well Sites 3, 7 and 18, and to purchase a generator and replace broken gate valves in its systems. On May 1, 2012 the Company provided Staff with a revised scope of work associated with its financing. Staff's review and analysis is based on the revised scope of work filed in May.

Staff concludes that the estimated costs listed below with Staff's adjustments are reasonable.

**Table 5 Finance Related Capital Costs**

Work of Scope Descriptions	Co.'s Estimated Costs (\$)	Staff Adjusted Costs (\$)	Staff Recommended Costs (\$)
<b>I. Well #3 &amp; Well #7 Storage Improvements</b>			
<b>Well #3</b>			
One 5,000 gallon storage tank	3,780		3,780
40' of steel ring around storage tank	604		604
Two 5-HP Berkeley booster pump (\$2,611/unit)	5,222		5,222
Plumbing, facility piping (3 days labor (@\$572/day), equipment rental (@ \$865/day) total of 1,437/day)	4,311		4,311
New materials (pipes, valves & fittings)	5,000		5,000
New electric control panel, wires, etc.	2,500		2,500
Electric rack	1,200		1,200
8" concrete slab under booster pump station (100 square feet) & 6% inflation	742		742
ABC bedding material under the tank (3 cubic yards @ \$106/cubic yard)	318		318
Two 44 gallon bladder tank (\$700/unit)	1,400		1,400
<b>subtotal</b>	<b>25,077</b>		<b>25,077</b>
<b>Well #7</b>			
One 5,000 gallon storage tank	3,780		3,780
40' of steel ring around storage tank	604		604
ABC bedding material under the tank (2½ cubic yards)	265		265
One 44 gallon bladder tank (@ \$700/unit)	700		700
Plumbing, facility piping (3 days labor (@\$572/day), equipment rental (@ \$865/day) total of 1,437/day)	4,311		4,311
New materials (pipes, valves & fittings)	2,500		2,500
New electric materials	2,500		2,500
Electric rack	1,200		1,200
One 3-HP booster pump	2,611		2,611
Removal of existing horizontal tank	1,500		1,500
Add 38' of chain link fence (@ \$37.5/ft)	1,425		1,425
<b>subtotal</b>	<b>21,396</b>		<b>21,396</b>
<b>Total</b>	<b>46,473</b>		<b>46,473</b>

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Permit fee	3,200		3,200
Engineering design fee (10%)	4,647		4,647
Administration & legal fee (5%)	2,324		2,324
Project management & inspection (10%)	4,647		4,647
Contingency (15%)	6,971		6,971
Sale Tax (4.60%)	2,138		2,138
<b>Total (Project I)</b>	<b>70,400</b>		<b>70,400</b>
<b>Project II. Fire Hydrant Replacement</b>			
22 fire hydrants (@ \$4,125/unit including \$1,650/unit and labor cost of \$2,475/unit)	90,750	(35,750) <sup>1</sup>	55,000
<b>subtotal</b>	<b>90,750</b>		<b>55,000</b>
Administration & legal fee (5%)	4,538	(1,787)	2,751
Project management & inspection (10%)	9,075	(3,575)	5,500
Contingency (15%)	13,613	(5,362)	8,251
Sale Tax (4.60%)	4,175	(1,645)	3,070
<b>Total (Project II)</b>	<b>122,151</b>	<b>(48,119)</b>	<b>74,072</b>
<b>Project III. Repair Plant Items in Well #18</b>			
Grout existing storage tank (1,710 cubic feet of grout material @ \$86.5/cubic feet)	147,915		147,915
One new 5,000 gallon pressure tank (@24,740/unit)	24,740	(24,740) <sup>2</sup>	0
Repair well pump (@ \$35,000/unit)	35,000		35,000
<b>subtotal</b>	<b>207,655</b>		<b>182,915</b>
Administration & legal fee (5%)	10,383	(1,237)	9,146
Project management & inspection (10%)	20,766	(2,474)	18,292
Contingency (15%)	31,148	(3,711)	27,437
Sale Tax (4.60%)	9,552	(2,677)	6,875
<b>Total (Project III)</b>	<b>279,504</b>	<b>(34,839)</b>	<b>244,665</b>
<b>Project IV. Replace Broken Isolation Gate Valves</b>			
Flomatic Resilient wedge three 6" gate valves (@ \$2,250/unit)	6,750	(680) <sup>3</sup>	6,070
Flomatic Resilient wedge one 8" gate valve (@ \$3,500/unit)	3,500	(295) <sup>3</sup>	3,205
Flomatic Resilient wedge one 10" gate valve (@ \$4,625/unit)	4,625	(256) <sup>3</sup>	4,369
<b>subtotal</b>	<b>14,875</b>		<b>13,644</b>
Administration & legal fee (5%)	744	(62)	682
Project management & inspection (10%)	1,488	(123)	1,365
Sale Tax (4.60%)	684.25	(57)	627
<b>Total (Project III)</b>	<b>17,791</b>	<b>(1,473)</b>	<b>10,855</b>
<b>Project V. Replace and/or Upgrade Distribution Services</b>			
Replace exist 56' of 1-inch poly service line along Justin (in PWS #02-008) (@ \$54/ft)	3,024		3,024
Replace exist 80' of 1-inch poly service line along Ford St (in PWS #02-008) (@ \$54/ft)	4,320		4,320
Replace exist 60' of 1-inch poly service line along	3,240		3,240



Treasure Rd/Christmas Tree (in PWS #02-008) (@ \$54/ft)			
Replace exist 26' of 1-inch poly service line along Treasure Rd (in PWS #02-008) (@ \$54/ft)	1,404		1,404
<b>subtotal</b>	<b>11,988</b>		<b>11,988</b>
Survey	3,500		3,500
Administration & legal fee (5%)	599		599
Engineering (10%)	1,199		1,199
Project management & inspection (10%)	1,199		1,199
Contingency (15%)	1,798		1,798
Sale Tax (4.60%)	551		551
<b>Total (Project V)</b>	<b>20,835</b>		<b>20,835</b>
<b>TOTAL</b>	<b>510,678</b>	<b>(84,431)</b>	<b>426,249</b>

Notes:

1. Based on Staff's experience, fire hydrant installation including material and labor can vary from \$1,500 per hydrant to \$2,500 per hydrant. Staff adjusted the fire hydrant installation cost to \$2,500 per hydrant.
2. The Company has an unused 5,000 gallon pressure tank stored at Well Site 16. Since Well Site 16 is disconnected from the water system and there is no well pump motor and/or power source at Well Site 16 Staff recommends the Company move the 5,000 gallon pressure tank at Well Site 16 Site to Well Site 18.
3. Per the Flomatic Valves website, the Flomatic Resilient 6" valve lists for \$2,023.35 per valve, the Flomatic Resilient 8" valve lists for \$3,204.60 per valve and the Flomatic Resilient 10" valve lists for \$4,369.05 per valve.

Staff concludes that the proposed capital improvements at Well Sites 3, 7 and 18 and the valve replacements and other distribution system improvements listed in the table above are appropriate and the cost estimates are reasonable. However, no "used and useful" determination of the proposed project item was made and no particular treatment should be inferred for rate making or rate base purpose in the future.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, by December 31, 2013, a copy of the ADEQ Approval of Construction ("AOC") for the capital improvements to be financed as discussed above.

**L. OTHER ISSUES**

*1. Service Line and Meter Installation Charges*

The Company is proposing to revise its meter and service line installation charges. These charges are refundable advances and the Company's proposed charges are within Staff's experience of what are reasonable and customary charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been developed by Staff using the combined charge proposed by the Company. Staff recommends approval of the meter and service line installation charges listed under the columns labeled "Staff Recommendation" in Table 6.

EXHIBIT D

Table 7B Revised Water Test Costs for Clear Springs Non-Community Systems  
(PWS #02-048, #02-050, 02-051)

Monitoring (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period			Total cost per three year period (\$)			Annual Cost (\$) <sup>1</sup>
		048	050	051	048	050	051	
PWS #02-								
Bacteriological – monthly <sup>2</sup>	\$20 <sup>3</sup>	36	36	36	720	720	720	720
nitrites – annual <sup>2</sup>	\$25	3	3	3	75	75	75	75
Lead & Copper – annual <sup>2</sup>	\$30	15	15	15	450	450	450	450
Total								1,245

Note

#1: The Costs are combination of expenses of System (PWS #02-050), System (PWS #02-051) and System (PWS #02-048).

#2 Testing frequencies are based on ADEQ monitoring requirement.

#3 Based on invoice dated August 30, 2010 from Turner, cost for testing one total coliform sample is \$20/unit.